

GOLDEN HEMLOCK

Explorations Ltd.

600 - 700 West Pender Street, Vancouver, B.C. Canada V6C 1G8
Tel: (604) 257-3660 • Fax: (604) 257-3650

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VSE - "GHE"

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FOR RELEASE at 6:00 A.M.

Exploration Agreement on San Jose de Gracia Claims, Private Placement, and Other Matters

The Company is pleased to announce an agreement in principle to the terms and provisions of a "Mine Operating Agreement" with West Coast Mines, Inc. of Dallas, Texas ("West Coast") for the further exploration and development of the San Jose de Gracia project, Sinaloa State, Mexico (the "SJG Properties"), Excepting unforeseen contingencies, the Company expects to complete documentation for the closing of this Mine Operating Agreement within the next three weeks.

The major provisions of the Mine Operating Agreement are written as follows:

1. West Coast retains a 24.9% net profits interest (the "24.9% NPI"), which interest is defined as a pre-tax interest, net of operating costs, on all revenue generated from the SJG Properties, including any sales or transfer of property interests. In exchange for West Coast retaining of the 24.9% NPI, West Coast will cancel a promissory note from Minera Finisterre S.A. de C.V. ("Finisterre"), the Company's Mexican subsidiary, in the amount of \$US500,000. This 24.9% NPI predates the Company's involvement in the SJG Properties. Golden Hemlock retains a right of first refusal on the 24.9% NPI.
2. West Coast will acquire 25 % of the outstanding shares of Finisterre. In that Finisterre holds 100 % ownership of the SJG Properties, subject to the 24.9% NPI, this 25% equity in the shares of Finisterre effectively represents a 25 % equity interest in the SJG Properties. In exchange for this 25 % interest in Finisterre, West Coast will waive the repayment of certain funds advanced previously by West Coast for property payments and report preparation costs and waive certain accelerated payback provisions relative to the 24.9 % NPI. West Coast will also waive a contractual obligation of Golden Hemlock to contribute \$US250,000 to an operating account for the SJG Properties.
3. The Company and West Coast confirm that their respective actual or deemed capital contributions to the SJG Properties, exclusive of the 24.9 % NPI, currently are (A) Golden Hemlock - \$Cdn4.5 million (75%) and (B) West Coast - \$Cdn1.5 million (25%).
4. A San Jose Operating Committee ("SJOPCO"), under the co-direction of the Company and West Coast, will control and direct all activities at the SJG Properties. Mr. Koy (K.D.) Diepholz, the Chairman and CEO of West Coast, is appointed Secretary/Manager of the SJOPCO.
5. West Coast will contribute \$Cdn350,000 for the first phase of an agreed three phase exploration program to be conducted by reputable professional engineering firms as agreed by the SJOPCO. Upon completion of this phase, West Coast's equity interest in Finisterre, subject to the 24.9% NPI, would increase to 29.13 %, representing West Coast's contribution of \$Cdn1.85 million against total contributions of \$Cdn6.35 million.
6. West Coast acquires the option to contribute up to \$Cdn650,000 for a second phase of development at the SJG Properties, as such development is approved by the SJOPCO. At the completion of this second phase

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of activity, **West Coast's equity** interest in Finisterre, subject to the 24.9 % NPI, would increase to 35.7%, representing West Coast's **contribution** of \$Cdn2.5 million against total contributions of \$Cdn7.0 million.

7. **West Coast** acquires the option to contribute up to \$Cdn1,000,000 for a third phase of development at the SJG Properties, as such development is approved by the SJQPCO. At the completion of this third phase of activity, West Coast's equity interest in Finisterre, subject to the 24.9 % NPI, would increase to 43.75 %, **representing West Coast's contribution** of \$Cdn3.5 million against **total contributions of \$Cdn8.0 million.**

Private Placement

8. **West Coast will subscribe** for 333,333 units in the Company's common **stock at the price of \$0.15 per unit by way of a private placement, generating** total proceeds of \$Cdn50,000. Each unit of this placement will consist of one common share and one two year share purchase warrant: exercisable at \$0.15 per share in the first year and \$0.1725 per share in the second year. The Company will use the proceeds to comply with certain regulations, and for general working capital. No finder's fee is applicable, and the placement is subject to regulatory **approval.**

The Company's Board of Directors has approved the terms of the Mine Operating Agreement. Approval by West Coast and availability of closing documentation is expected. Upon the closing of the Mine Operating Agreement, West Coast will waive certain claims against Golden Hemlock, Finisterre and **related parties.**

Other Matters

The **Company's annual financial statements** for the year ended February 28, 1998 were due for filing and for distribution **to the shareholders July 20, 1998.** The **Company's financial statements** for the quarter ended May 31, 1998 were due for filing and for distribution to entitled recipients July 30, 1998. Because of the **material effect on the Company's** financial statements of the agreement in principle announced today, the **audit** of the Company's February 28 and May 31, 1998 consolidated financial statements has been delayed. The **Company** expects the completion of these audits and the issue of the financial statements by October 15, 1998, and the holding of the Company's 1998 annual meeting by November 30, 1998.

The **Company** announces the resignation of Koy Diepholz of Dallas, Texas as a director. Mr. Diepholz was elected a director at the annual meeting in November 1997.

On Behalf of the Board

"Robin T. Forshaw"

Robin T. Forshaw, President

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For further information, please contact:

Robin Forshaw, President (604) 688-8836

<http://www.goldenhemlock.com>

The Vancouver Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.